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## THE TRIAL OF PATENT ACCOUNTINGS IN OPEN COURT

### A PROPOSED REFORM IN PROCEDURE

THE new Equity Rules requiring the trial of patent cases in open court have worked a beneficent revolution in patent practice in those circuits where the spirit and intent of Rule 46 are honestly observed.<sup>1</sup> In these circuits the patentee whose patent is infringed, particularly the patentee of limited means, and the defendant who is unjustly charged with infringement are equally protected and can have justice at a reasonable expense. But this beneficent result extends only to the trial on the merits which results in the granting or refusal of the injunction against further infringement and does not apply to the patent accounting, that ancient bugbear of parties and of conscientious counsel. For the accounting which survives masters, litigants and counsel alike, which lasts for half a generation and costs each party as much or more than the amount involved, the new rules, as actually applied, have done nothing whatever. The quotation found in Macomber on Patents describes the situation today as well as it did in 1913 when the present Equity Rules were promulgated:

“I have had the equity docket of the Southern District of New York examined and have found, as a fair average, that in only four of the fifty-four patent causes wherein accountings were decreed, do any proceedings upon the accountings appear of record. (Compl'ts. Rec., *Hall v. General*, 153 Fed. 907.) . . .

“It is my invariable practice founded upon my own experience in patent litigation, extending over the past eighteen years, and upon my knowledge of the experience of other patent counsel, to advise my clients that, in the absence of an established license fee, there is hardly any chance of recovering damages for infringement, and that in no event can they expect to be compensated either by

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<sup>1</sup> See Judge Baker's recently published statement in *Computing Scale Co. v. Toledo Scale Co.*, 279 Fed. 648, 672 (7th Circ., 1921), as to the effect of the new rules on the trial of patent cases.

damages or costs for the expense of litigation and the injury from infringement. I advise them that the one effective remedy is injunction, and that where injunction cannot be obtained, the patentee is without remedy.”<sup>2</sup>

Judge Mayer of the Second Circuit, where the rule requiring trial of equity cases in open court has been most faithfully, and therefore most successfully, followed in patent litigation, has recently said:

“Finally, it seems to me that accountings still remain a great burden and, in many instances, are unsatisfactory to the litigants and indeed, to the court. Without elaborating as to detail, the difficult questions which arise, for instance, in apportioning overhead and like items in endeavoring to ascertain net profits seem no nearer to practical solution than they have been for a considerable period of time. In respect of these and many other questions arising in accountings, I realize fully that the courts have laid down rules for guidance in connection with many accounting problems and that some confusion has been cleared away. *Nevertheless the whole procedure is complicated, tedious, difficult and expensive and it surely must be possible to devise simpler and more expeditious means of ascertaining what the infringer shall pay for his infringement.* Particularly is this true where the business in the infringing article is but a small part of defendant’s business.

“It is, of course, much easier to state the problem than to find the solution; but I think this is a subject which should continue to occupy the attention of the patent bar as indeed it has done for some time past.”<sup>3</sup>

Judge Mayer has stated the problem perfectly; the present article suggests a solution which lies ready at hand and requires no change either of statute or of the Equity Rules to work as complete and beneficial a revolution in patent accountings as has been worked in the decision of patent cases by trial in open court. Strangely enough the remedy is the same — to do away with references to a master, and try the issues in open court in the same way that other equity causes are tried.

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<sup>2</sup> MACOMBER, PATENTS, 2 ed., § 826, Profits.

<sup>3</sup> Hon. Julius M. Mayer, “The Judge and the Patent Case,” an address delivered at the Dinner given by the American Patent Law Association, February 4, 1922, in honor of Chief Justice Taft.

## THE PRESENT PRACTICE OUTLINED AND ITS RESULTS DISCUSSED

The evils of the present system grew from the highly developed procedure which has been grafted on our equity system from the old unreformed chancery practice of England. Its badness will be clear from a brief outline of the proceedings in an accounting as it ordinarily proceeds.<sup>4</sup>

At the entry of the decree, the court names the master. Thereupon, the plaintiff files with the master a certified copy of the decree, and the master orders the defendant to present his statement of account. The defendant then prepares a statement purporting to show "in the form of debtor and creditor," as required by Equity Rule 63,<sup>5</sup> the profits which he has made from the infringing acts and the items which he claims should be set off against the profits. The plaintiff examines the statement, files his objections to it as a matter of course, and demands that the defendant appear before the master for examination on his statement of account. The master makes the requisite order and the examination takes place *viva voce*,<sup>6</sup> being taken down stenographically or on a typewriter and frequently dragging its length for months while plaintiff's counsel frames fishing questions and defendant's counsel opposes them with all his ingenuity. The defendant's examination ended, the plaintiff prepares his charge, a voluminous bundle of schedules, setting out all that plaintiff hopes to prove and probably more; the defendant replies with his discharge, showing items in mitigation of plaintiff's claims, and the case may be said to be at issue. Then follow the proofs during which the parties attempt to substantiate by admissible evidence the facts set forth in the charge and discharge. Months and often years are occupied with the proofs,—in chief, in rebuttal, in sur-

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<sup>4</sup> 3 DANIELL, CHANCERY PRACTICE, Chap. XXVI. <sup>2</sup> FOSTER, FEDERAL PRACTICE, 6 ed., Chap. XXV.

<sup>5</sup> Rule 63. "All parties accounting before a master shall bring in their respective accounts in the form of debtor and creditor; and any of the other parties who shall not be satisfied with the account so brought in shall be at liberty to examine the accounting party *viva voce*, or upon interrogatories, as the master shall direct."

<sup>6</sup> *Ibid.*

rebuttal, etc. Once the proofs are completed, the case is set for argument, briefs are prepared and the case presented. Then the master studies the case and prepares a draft report which he submits to counsel. They file their objections and argue them, and the master revises the report, the process being repeated until the master refuses to budge from his position. The report is then filed with the court, and the parties file their exceptions. The court hears the exceptions and if he sustains some of them, as frequently happens, the case is sent back to the master, who may find it necessary to go over the whole matter again. The case then goes back to the District Court once more, and after that, as has happened frequently, the Circuit Court of Appeals reverses the District Court, and the work is all to be done again. Long before this happens, parties, counsel, master and court are heartily sick of the whole case which clings about their necks like an old man of the sea.

This is the normal procedure,<sup>7</sup> but the outline fails to give a true picture of the terrible burden on both parties to a large patent accounting. The picture takes no account of the multitude of ancillary questions which are essentially part of the case or are introduced by the ingenuity of counsel. It does not show the questions of apportionment of profits between infringing and non-infringing articles, of standards of comparison as a basis for the estimation of profits, of overhead expenses, or many other questions any one of which may cause an appeal to the court for instructions to the master or after the accounting the recommitment or reversal of the report.

If this terrible complication can be done away with, it ought to be, even at the expense of some sacrifice of exactitude in the results obtained.

#### THE STATUTE AND EQUITY RULE 59

Authority to try patent accountings in open court is expressly given in Revised Statutes, § 4921, which provides that "upon a decree being rendered in any such case for an infringement, the

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<sup>7</sup> A typical case illustrating the working of the present procedure is *Computing Scale Co. v. Toledo Scale Co.*, 279 Fed. 648 (7th Circ., 1921), in which the proceedings before the master alone extended over five years.

complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby; *and the court shall assess the same or cause the same to be assessed under its direction.*" (Italics mine)

Present Equity Rule 59 says: "*Reference to Master — Exceptional, Not Usual.* Save in matters of account, a reference to a master shall be the exception, not the rule, and shall be made only upon a showing that some exceptional condition requires it."

Equity Rule 59 certainly does not prohibit the trial of patent accountings in open court; and, therefore, since the abuses which caused the Supreme Court to make references to a master the exception and not the rule are present in patent accountings in even a greater degree than in the trial of cases on the merits, the same remedy ought to be applied.

While the writer believes that the words "save in matters of account" should be stricken out of Rule 59 so that the District Courts will be under the express mandate of the Supreme Court not to refer patent accountings to a master except under unusual circumstances, no change in the rule is necessary for the reform, since the statute expressly places the procedure within the discretion of the District Court. In an opinion of the Circuit Court of Appeals for the Seventh Circuit published since the first draft of this article was prepared, Judge Baker deals with the evils of the present system and suggests trial in open court. He says:

"New equity rule 63 [*Sic.*, probably this is a misprint for 59] we have no doubt, was intended to end the evils in reaching the money decree as completely as other new rules have ended the evils on reaching the merits decree. But if evils persist which cannot be remedied by the rigid enforcement of rule 63, then, pending possible supplements to that rule, we believe that the chancellor, *either in open court* or through explicit directions to the master in order to simplify and expedite the hearing, has power to employ methods not inconsistent with promulgated rules."<sup>8</sup>

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<sup>8</sup> Computing Scale Co. v. Toledo Scale Co., 279 Fed. 648, 673 (7th Circ. 1921).

## THE SUGGESTED PROCEDURE

A patent accounting is only the trial of certain issues, and the steps which it includes differ only from those of other trials in that the peculiar nature of the issues has developed a special procedure, which is so highly specialized that it obscures the essential objects of the action. The proposed procedure aims at greater elasticity and, therefore, at greater effectiveness, because the firm hand of the trial judge clothed with full authority and having the knowledge of the patent in question and of the art of which the invention relates, gained during the trial on the merits, can keep the inquiry and the proofs within the closest limits.

The decree for the accounting has already decided that the defendant has invaded plaintiff's exclusive right to make, use and sell the patented invention and is a wrong-doer in the sense that everyone who commits a tort is a wrong-doer; furthermore, that the defendant is a *trustee ex maleficio* for the profits which have accrued to him by reason of his unlawful acts.<sup>9</sup> The issue to be tried therefore is solely what damages, if any, the plaintiff has suffered, or what profits, if any, defendant has obtained by his infringement. On either branch of the case, much, if not most, of the evidence lies within defendant's control. From the nature of the case, therefore, the procedure ought to provide, first, for an ample opportunity for plaintiff to inform himself of the details of the transactions comprising the infringing business, with safeguards to prevent, as far as possible without abridging plaintiff's rights, the plaintiff prying into the secrets of any non-infringing business which defendant was conducting at the same time; second, to formulate the issues; and third, to give both parties opportunity to present proofs *pro* and *con*. The first branch is in its nature discovery, and while the object may be achieved in some cases by interrogatories, undoubtedly it can be best secured by a *viva voce* examination of the defendants in the presence of the court.

Therefore, the essential procedure frames itself into four steps, (1) discovery — the examination of the defendant *viva voce* or

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<sup>9</sup> See *Westinghouse v. Wagner*, 225 U. S. 604, 619 (1912).

by interrogatories, (2) the pleadings by which issues for proofs are framed, these being based on the information obtained from the discovery, (3) the proofs, including the presentation of arguments both oral and written, and (4) the consideration of the case by the court.

Having in mind these essentials, the suggested practice might comprise the following proceedings:

(1) *Discovery:*

(a) The defendant is ordered to file in court its statement of account of profits in the form of debtor and creditor. This should also include all essential information as to the infringing transactions, such as the dates and amounts of individual sales, the names and addresses of purchasers, character of goods sold, (sizes, styles, etc.), costs, including materials, labor, overhead, selling expense, insurance, losses, etc., and such other information as the particular case may require.

(b) The defendant is ordered to produce his books of account for examination by plaintiff's counsel and expert accountants, subject to suitable provision for protection of the defendant's non-infringing business but not to enable him to conceal infringing profits nor unduly handicap the plaintiff. This order should also cover the production of all correspondence and contracts relating to the infringing business.

(c) Examination of the defendant and his employees *viva voce* in open court. As the plaintiff will be informed already of the main details of defendant's infringing business from defendant's statement of account and the examination of the books, and as the judge will rule on the questions and enforce prompt, responsive and complete answers, this should proceed rapidly. It will tend to narrow the issues, inform the court as to the character of the proceeding, and give him the necessary understanding of the background of the case, of the personal character of the witnesses, and of the attitude of the parties. It will enable him to deal with the case rapidly when presented for proofs and decision.

(2) *The Pleadings:*

(a) The plaintiff is ordered to file a statement of claim. This will be based on the information obtained by the discovery and will be in effect the "charge" of the classic procedure.

(b) The defendant is ordered to file a reply statement of claim. This will admit or deny each of the claims in plaintiff's statement, and set up any items in mitigation. It will correspond to the "discharge" of classic procedure.

(c) Issue will be joined on the statements of claim, and the proofs limited to these issues.

(3) *The Proofs:*

(a) The evidence. The evidence ought to be heard in open court. All matters proved in the trial on the merits will as now<sup>10</sup> be taken as proved for the accounting, and matters testified to during the *viva voce* examination of the defendants will be considered as being already in evidence on being called to the attention of the court. In many cases, the proofs can be made surprisingly short. Since the court will be already familiar with what may be termed the mechanical issues of the case, rulings on points tending to divergence from the issues can be prompt and effective. The issues will be narrowly confined and the proofs compressed. The judge will have the inestimable benefit of seeing and hearing the witnesses, and in general of controlling the proceedings.

It would expedite matters greatly if a rule should be made that facts shown by the regular books of account of the parties, or stated in schedules taken from books by expert accountants, shall in the absence of evidence of fraud or error be taken as proved, subject of course to explanation or correction. Such a procedure would obviate the necessity of technical proof of bookkeeping entries and might even be extended to cost accounting and stock records and to letter books or letter files which are important sources of evidence in patent accountings.

(b) The argument and briefs. Present practice in the trial of patent cases can be followed, the argument being immediately after the completion of the proofs with leave to file briefs later; or the case may be set for argument at some later date, at which time briefs can be filed.

The decision and decree follow the usual course and the appeal to the Circuit Court of Appeals will take place as before and will be based only on exceptions noted at the trial as at present. The record can be abbreviated as a result of the control of the trial by the trial court.

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<sup>10</sup> Equity Rule 64.

The foregoing procedure is not suggested as an inflexible series of steps, but only as an outline of the manner in which such cases might well be handled. The essentials are that the trial judge shall see and hear the witnesses himself, be informed of the facts as they are developed, and guide and control the entire proceedings. The manner in which the facts are developed and the issues of law presented should be left in the hands of counsel but will be controlled by the judge, as they are at present in the trial of other equity cases.

#### HOW THE PROCEDURE WILL APPLY TO TYPICAL CASES

Revised Statutes, § 4921, provides, "that the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby." This statute has been construed to mean that the plaintiff can recover the damages which he has suffered or the profits which the defendant has made, whichever is the greater, but that he cannot recover both.<sup>11</sup> The plaintiff, therefore, has an election between damages and profits but this election need not be exercised until after the proofs are completed.<sup>12</sup> On this account, two parallel lines of proofs, one as to damages and the other as to profits, are often essential.

Four typical states of fact in patent accountings, dependent upon the theory of recovery adopted by plaintiff, will illustrate what facts must be proved in accountings. Due to his right of election, the plaintiff may often compel the case to follow two parallel lines. This fact is not taken account of in the following typical cases, which indicate the chief elements of proof, but not necessarily all, in each.

1. *When damages from loss of royalties are claimed.*<sup>13</sup> — This is the simplest case. The plaintiff has an established license fee at which he has permitted others to make or use articles embodying the patented invention or to practise the patented method or process. The plaintiff has to prove the existence of an established license fee, and show the number of infringing

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<sup>11</sup> *Tilghman v. Proctor*, 125 U. S. 136 (1888).

<sup>12</sup> *P. P. Mast & Co. v. Superior Drill Co.*, 154 Fed. 45 (6th Circ., 1907).

<sup>13</sup> *Philp v. Nock*, 17 Wall. (U. S.) 460 (1873).

articles sold by defendant or the amount of use made. There is usually a unit of quantity or use on which the license fee is based, so it is only necessary to prove the number of these units in addition to the amount of the license fee.

These are simple concrete facts, susceptible of easy proof in open court.

2. *When damages from loss of sales are claimed.*<sup>14</sup> — The plaintiff must prove, (a) that the market for such articles was solely his except for defendant's infringement, (b) that plaintiff had the facilities to supply the demand, (c) the total sales made by the defendant, and (d) the profit per unit that plaintiff would have made had he sold the articles instead of defendant.

This is a more complicated state of facts but presents no great difficulties, since most of the necessary evidence comes from the plaintiff's own establishment.

3. *When the actual profits made by defendant from the infringing business are claimed as the measure of recovery.*<sup>15</sup> — The plaintiff must prove, (a) the extent of the infringing business, and (b) the profits from it. As the infringing business may have been in the manufacture and sale of infringing articles or in the use of infringing machines or methods which resulted in profits or savings, the proofs must be adjusted accordingly. Questions of apportionment are involved where the patented invention was only an improvement and did not cover the entire article, as in the mop case, *Garretson v. Clark*.<sup>16</sup> Other questions, such as the apportionment of overhead expenses and the standards of comparison by which to determine the savings from the use of the infringing article or method also arise.

While this is a more complicated state of facts, the questions to be decided are in the main of the kind which can be handled best by a court. Even in cases involving complicated calculations, the plaintiff should be in better case than under the old practice, since he will have the might of the court behind him to compel prompt and complete disclosure of all the facts. Even the Gordian knot of apportionment of profits between

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<sup>14</sup> *Covert v. Sargent*, 38 Fed. 237 (Circ. Ct., S. D. N. Y., 1889).

<sup>15</sup> *Crosby Steam Gauge & Valve Co. v. Safety Valve Co.*, 141 U. S. 441, 452 (1891).

<sup>16</sup> 111 U. S. 120 (1884).

the infringing improvement and the non-infringing part of the article or method can be cut more easily by the court than by a master, so that the rule of *Garretson v. Clark* will lose some of its terrors, particularly if the rule of *Westinghouse v. Wagner*<sup>17</sup> that where the defendant has inextricably commingled the profits of his infringement with his other property, the plaintiff may recover the whole, be sternly applied. The very difficulties of trying an accounting for defendant's profits in open court have their advantages, since the complication itself is likely to force the plaintiff to give up an impracticable claim for profits and fall back on the rule of reasonable royalty.

4. *The rule of reasonable royalty.*<sup>18</sup> — The present doctrine of reasonable royalty as a measure of damages in patent infringement cases although having a history in the past came into being again with the decision of the Supreme Court in *Dowagiac Mfg. Co. v. Minnesota Plow Co.*,<sup>19</sup> in which Mr. Justice Van Devanter said: "In that situation it was permissible to show the value by proving what would have been a reasonable royalty, considering the nature of the invention, its utility and advantages, and the extent of the use involved."<sup>20</sup>

The nature of the evidence which may be given in support of a reasonable royalty is indicated by Mr. Justice Van Devanter's statement as follows: "It well may be that mathematical exactness was not possible, but, as shown in *Westinghouse Co. v. Wagner Co., supra* (225 U. S. 615, 617-622), that degree of accuracy is not required but only reasonable approximation, which usually may be attained through the testimony of experts and persons informed by observation and experience. Testimony of this character is generally helpful and at times indispensable in the solution of such problems."<sup>21</sup>

Therefore, when the difficulties of proving defendant's profits with the exactitude required for recovery prove insurmountable and particularly when apportionment is impossible or impracticable, and perhaps even in the case when the defendant had

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<sup>17</sup> 225 U. S. 604, 619 (1912).

<sup>18</sup> *Munger v. Perlman Rim Corp.*, 275 Fed. 21 (2nd Circ., 1921).

<sup>19</sup> 235 U. S. 641, 648 (1915).

<sup>20</sup> See also *U. S. Frumentum Co. v. Lauhoff*, 216 Fed. 610 (6th Circ., 1914).

<sup>21</sup> 235 U. S. 641, 647 (1915).

made no profit by the infringing business, the plaintiff may fall back on the reasonable royalty rule and show what would have been a fair royalty under all the conditions surrounding the infringement. This royalty multiplied by the total units of infringement gives the measure of damages.

The proofs are of necessity general and simple. They may include in addition to proof of the amount of infringement committed, evidence of the custom of the trade, of the royalty charged for similar articles, or even the mere opinion of persons familiar with the trade as to what would be fair under all the circumstances. It can be based on a percentage of the selling price, a price per piece, or per unit of time, or of the product produced. The legal ascertainment of what is a reasonable royalty under given conditions is certainly no more difficult than the determination of the amount of injury to property in land damage cases, or perhaps the amount of damages in many cases of contract. Reasonable royalty as a measure of damages lends itself excellently to the procedure proposed and if the trial of accountings in open court should be adopted would undoubtedly be employed even more frequently than at present.

#### THE ADVANTAGES OF THE PROPOSED PROCEDURE

The foregoing illustrative cases make the advantages of the trial of patent accountings in open court apparent to some extent. Some of the principal advantages may be summarized as follows:

1. *The trial judge will control the proceedings.* — In a trial in open court, the judge will restrain counsel, direct the course of procedure, prevent irrelevancy, and insist on expedition to a degree which masters in chancery even at their best can never attain. Counsel who would deliberately delay the case or befog the issues will have small opportunity for such tactics.

2. *The trial court will see and hear the witnesses.* — This great argument for open court trials on the merits in patent cases applies with equal force to the trial of patent accountings in open court. It is a benefit which cannot be overestimated. The interposition of a master between the witnesses and the court is a handicap to justice which ought not to be tolerated.

3. *The elimination of delay.* — Patent accountings ought to go

on the equity calendars of the court and be subject to the present rule as to continuances. If this rule be strictly enforced, as it certainly should be, patent accountings, except in unusual cases, can be disposed of within a year from the entry of the original decree.

4. *More complete justice to the parties.* — An accounting which extends two or even three years from the decree ordering the injunction to the decree awarding or refusing damages does not do substantial justice to either party, and works a serious injustice to the public, which ought to know that swift justice will be done in every case whether criminal or civil. The knowledge by the public that a prompt award of damages will be made in patent causes will be a great deterrent to patent infringers and the feeling voiced in Macomber on Patents already quoted that the injunction is the only remedy for patent infringement will disappear.

But more important still in the matter of justice is the more perfect understanding of the case which the court will have from having seen and heard the witnesses and having discussed with counsel and experts the questions which have arisen during the trial. The defendant who has been a wilful or defiant infringer will more certainly pay the penalty of his wrongful acts and the weak defendant will be better protected from the rapacity of a competing plaintiff who is using the patent accounting as a weapon to drive the defendant out of the field of competition. The human elements which a court of equity is especially equipped to consider will have their proper value again.

5. *Triple damages.* — The court has the power to increase the damages to an amount not exceeding three times the amount of the actual damages.<sup>22</sup>

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<sup>22</sup> U. S. REV. STAT., § 4921, provides, — “And the court shall have the same power to increase such damages, in its discretion, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case.”

U. S. REV. STAT., § 4919, to which this refers is as follows: “And whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.”

The imposition of triple damages for wilful infringement which ought to be a strong deterrent of infringement has, under the present practice, lost its force because of the probability that no award of damages will ever be reached, hence the danger that damages will be tripled has become even less. With the increased likelihood that damages will be assessed, which will result from the trial of accountings in open court when all the facts surrounding the commission of the wrongful acts will be fully before the court, the fear that the damages may be increased or even tripled will again act as a real preventive of deliberate infringement.

6. *A tendency toward simpler claims for damages.* — The necessity for proving a case under the inevitable pressure for time of an open court trial tends strongly toward the adoption of the simplest possible theory of recovery. One difficulty in accountings in patent cases as at present conducted is the temptation to adopt a complicated theory in the hope of a greater recovery or to drive the defendant into a settlement to end the proceedings. The open court trial would have the opposite tendency. The plaintiff will choose the simplest course. He will reject that theory of recovery, proof of which of necessity comes from the defendant's books and the defendant and his employees, in favor of damages from loss of sales which can be proved largely from his own books. He will rely on loss of royalties as the measure of his recovery wherever possible as being the measure of damages susceptible of the simplest proofs. But, even more important still, there will undoubtedly be a movement toward the adoption of reasonable royalty as the measure of damages. The strong movement in this direction already noticed will be accentuated by the procedure suggested as it affords the prospect of a fair recovery after a minimum of effort and delay.

7. *Lessened expense.* — The expense of an accounting before a master is hardly to be realized unless one has been brought face to face with a bill of costs. Since the issues to be decided are intricate and highly technical, an experienced, learned master is essential; and such a man must be well paid. The expense for a master runs from \$20 in the country districts, to \$250 per day, or even more in New York. The expense for

counsel is large both in and out of the hearing. To this must be added the charges of accountants, experts, stenographers and witnesses. All told, the total daily expense to all parties of an accounting before a master may easily be \$250 per day. Under these conditions, the cost to the parties of a prolonged or unnecessary cross-examination of an expert, which would be shut off by a court, within an hour may run into thousands of dollars. The multitudinous steps of the classic procedure serve to multiply the expense by geometrical progression, so that it is a fortunate plaintiff who gets back a new dollar for an old one. The defendant, if the plaintiff is sufficiently persistent and rich to carry the case through to the end, adds at least a dollar for expenses to each dollar he pays the plaintiff under the decree.

### THE OBJECTIONS

But two objections to the trial of patent accountings in open court are apparent to the writer: first, the complication of issues to be tried and the evidence to be heard, and, second, the crowded condition of the dockets which makes it inexpedient to impose additional burdens on district judges. Both of these objections were urged against the trial of patent cases in open court when the Equity Rules of 1913 were promulgated, and experience has proved that neither objection was substantial. As Judge Mayer emphatically states in the address already quoted, "The greatest forward step was the trial in open court. . . . None of us would return to the old method." The same would soon be true in regard to patent accountings if open court trial should be adopted. The best way to handle complicated problems is for the judge to hear the evidence, question witnesses, experts and counsel, and by working with them reach the decision of the case. Even intricate technical patent questions become amazingly simple when subjected to careful analysis by trained judges who have the power of eliminating non-essentials. The writer believes that the time of the judge might actually be conserved, since the time saved in deciding the case would fully make up for that occupied by the trial.

The objection that dockets are already crowded is not truly an objection to the proposed procedure but rather to other

changes which have widened the jurisdiction of the federal courts without providing corresponding increases in their facilities. The fact that the courts are now overcrowded with bankruptcy, liquor, drug, white slave and naturalization cases ought not to prevent changes in procedure which will give the courts greater efficiency in the treatment of other branches of their work. Furthermore, the recent increase in the number of federal judges will in part relieve the temporary congestion.

Altogether, it is believed that the objections are more in the imagination than in reality. No doubt some timid overworked judges who have had little or no experience with patent cases would shirk the trial of patent accountings in open court as today they shirk the trial of patent cases on the merits, but those judges would be fewer as the advantages become apparent from experience.

#### NOT AN UNTRIED EXPERIMENT

The procedure suggested is not an untried experiment. To show the superior results of the proposed new method, two cases in which the writer was counsel may be contrasted.

In the first case, the decree for the accounting was entered February 18, 1902, the master's report was filed October 20, 1907; the final decree after exceptions to the master's report was entered by the District Court January 23, 1908. The records of the examination of the defendants and the typewritten report of the testimony filled several large volumes. The total expenses of both parties were certainly greater than the amount of the award, which was a little over \$11,000. True, the facts in this case were complicated, but it was of a kind which should lend itself to an open court trial. The question of apportionment was the central one of the case. Today, the case would have been decided on the rule of reasonable royalty. Two days or three at the outside would have sufficed to try the whole case in open court, a decision would have been reached within a year, the plaintiff would have had a fair money recovery and the defendants, who were innocent infringers, would not have been unfairly penalized.

Contrast this case with another in which trial of the account-

ing in open court was resorted to. In November, 1914, the Circuit Court of Appeals for the Fourth Circuit affirmed the decree of the District Court in a patent case which had been tried in open court before Judge Rose in Baltimore. When the decree was presented to Judge Rose for signature, it was suggested by the writer that he try the question of damages in open court. Judge Rose accepted the suggestion as within the spirit of the new equity rules which were then something of a novelty. Accordingly, the case, which presented a question of loss of royalties, was set down for trial without further preliminaries. At the trial, the defendants were examined *viva voce*, the plaintiff put in his evidence and the defendant replied. The plaintiff then submitted a proposed calculation of damages which was discussed in an informal argument before Judge Rose, who announced that when certain modifications were made he would make this calculation the basis of the final decree. The changes were made and a decree for about \$5000 was entered. The entire proceedings took one day and the entry of the decree for damages on January 13, 1915, was within forty days of the receipt of the mandate of the Circuit Court of Appeals. It may also be added, that as subsequent events proved, the defendants were in failing circumstances so that the prompt procedure adopted by Judge Rose resulted in a complete recovery of damages by the plaintiff, where he would have recovered nothing if the case had been referred to a master.

Perhaps it may be thought that the proposed procedure will give the plaintiff too great an advantage; if it does, it is the chief merit of the suggested change. It must be remembered that in every accounting the defendant is an adjudged tortfeasor and that, if loss is to fall on either party through the failure of judicial machinery, that loss should be the defendant's. Under the present practice, the plaintiff does not have justice; a remedy for these conditions is imperative. The defendant's two chief weapons at present are his power to keep back from the plaintiff essential information, and to delay the proceedings. Under a vigorous district judge, the effectiveness of both of these weapons will be greatly reduced, since the procedure eliminates unnecessary delay, and the court can compel complete and prompt disclosure of all essential facts.

The reasonable royalty rule, and the rule of commingled property both now reëstablished by the Supreme Court, have begun the work of restoring the plaintiff to a position of reasonable equality with the defendant; the trial of patent accountings in open court will go far to complete that work.

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